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# Debt Service

## MISSION STATEMENT

This section provides budget data for the repayment of general obligation bonds issued and payment of long-term leases and short-term financing for public facilities and infrastructure in the Debt Service Fund for all tax supported County agencies (MCG, M-NCPPC, MCPS, and Montgomery College), as well as other associated costs.

## BUDGET OVERVIEW

The total recommended FY09 Operating Budget for Debt Service is \$249,829,100 an increase of \$9,578,390 or 4.0 percent from the FY08 approved budget of \$240,250,710. This amount excludes \$76,870 in debt service which is appropriated in non-tax supported funds.

### General Obligation Bonds

General obligation (G.O.) bonds are issued by the County to finance a major portion of the construction of long-lived additions or improvements to the County's publicly-owned infrastructure. The County's budget and fiscal plan for these improvements is known as the Capital Improvements Program (CIP) and is published separately from the Operating Budget and Public Services Program. Currently, G.O. bonds are anticipated to fund approximately 57 percent of the County's capital expenditures (excluding WSSC) for the six years of the Recommended FY09-14 CIP program. The bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as Debt Service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to citizens benefiting from facilities in the future, as well as current taxpayers. Due to various Federal, State, and local regulations, interest rates are lower than in the private sector. However, once committed, Debt Service represents a major continuing claim on County resources that must be kept within the annual operating requirements of the County government in order to avoid excessive pressures on operating budgets in years of revenue shortfalls.

Section 305 of the County Charter requires the County Council to set Spending Affordability Guidelines (SAG) for the CIP. The guidelines are related to how much the Council believes the County can afford, rather than how much might be needed. The guidelines apply to County G.O. bonds and must specify the total G.O. debt issued by the County that may be planned for expenditure in the first and second year and approved under the six-year CIP. The approved SAG limits are \$300.0 million for FY09, \$300.0 million for FY10, and \$1,800.0 million for the FY09-14 period. The County Executive recommends a CIP consistent with the approved SAG limits.

"General obligation" refers to the fact that the bonds are backed by the "full faith and credit" of the County and its general revenue stream. In addition, the Montgomery County Charter provides that the Director of Finance must make debt service payments even if the Council fails to provide sufficient appropriation. County G.O. bonds are exempt from Federal taxes and also from State taxes for citizens of Maryland. Finally, the County strives to maintain its total and projected outstanding debt and debt service within certain financial parameters according to the County's fiscal policy. Thus, these financial instruments provide strong advantages in both safety of repayment and investment return for certain categories of investors.

### Debt Limit

The County's outstanding general obligation debt totals \$1,612,678,054 as of June 30, 2007. The allocation of outstanding debt to government programs and functions is displayed in a chart at the end of this section.

The Annotated Code of Maryland, Article 25A, Section 5(P), authorizes borrowing funds and issuance of bonds up to a maximum of 6 percent of the assessed valuation of all real property and 15 percent of the assessed value of all personal property within the County. The legal debt limit as of June 30, 2007, is \$8,134,989,000 based upon the assessed valuation \$125,710,776,118 for all real property and \$3,948,949,550 for personal property. The County's outstanding general obligation debt of \$1,612,678,054 plus outstanding short-term commercial paper of \$150,000,000 is 1.36 percent of assessed value, well within the legal debt limit and safely within the County's financial capabilities. A comparison of outstanding debt to legal debt limit is displayed in a chart at the end of this section.

Additional information regarding the County's outstanding general obligation debt and revenue bond debt can be found in the Debt Service Program Direct Debt for Fiscal Year 2007 (Debt Service Booklet). Schedules which display the allocation of outstanding debt to government programs and functions, debt service requirements for bond principal and interest, and payment schedules for paying agents can also be found in the Debt Service Booklet.

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## **Leases and Other Debt**

Long-term leases are similar to debt service in that they are long-term commitments of County funds for the construction or purchase of long-lived assets. They are displayed and appropriated within the Debt Service Fund. Short-term leases, where the payments represent a substantial County commitment for the acquisition of assets which have a shorter life, but still result in a substantial asset, are also displayed and appropriated within this Fund.

Long-term payments include:

- Lease payments to the Montgomery County Revenue Authority for the Conference Center, HHS Piccard Drive, and various Recreation pools.
- Lease payments to the Maryland Economic Development Corporation (MEDCO) for the Town Square and Wayne Avenue Garages in Silver Spring.
- Payments for the acquisition of fire and rescue equipment.

Short-term lease payments include:

- Payments for the financing the County's Technology Modernization project.
- Payments for the acquisition of a Public Safety Radio System (through FY06).
- Payments for the acquisition of the Kay property.
- Payments for the acquisition of County Ride On buses.

Long-term loan payments to the Maryland Industrial and Commercial Redevelopment Fund (MICRF) are related to an economic development loan between the County and Aspen Systems Corporation. MICRF loaned money to the County which is repaid from the Debt Service Fund, is backed by the full faith and credit of the County, and is considered long-term debt of the County. The County made an equivalent economic development loan to Aspen Systems which is repaid by Aspen Systems into the Economic Development Fund. The loan was repaid in FY06.

Loan payments to HUD are related to a HUD Section 108 program loan that was received by the County. The County re-loaned the funds to HOC. Repayment of the loan will be made by HOC to the County through the MHI fund. Transfers from the MHI fund support the repayment shown in the Debt Service Fund.

The FY09 appropriations for the long- and short-term financing are displayed in a chart at the end of this section.

## **Other Long-Term Debt**

Other long-term debt includes the debt service costs, offset by a transfer from the MHI Fund, for the issuance of debt ( \$25 million in each of FY09 and FY10) to create a property acquisition revolving fund which will significantly increase the County's capacity to acquire affordable housing. Long-term debt payments to acquire the Silver Spring Music Venue are also included.

Certain other types of long-term debt are issued by the County government and State-chartered agencies of the County, such as the Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Housing Opportunities Commission, and the Revenue Authority. Examples are revenue bonds, backed by fees and charges to facility users; and agency bonds, backed by separate taxes, charges, other revenues, and/or the faith and credit available directly to these agencies. In some cases, the County government may make direct payments under contract to these or other agencies, such as the service payment to the Northeast Maryland Waste Disposal Authority for financing of the Resource Recovery Facility. Most of these other types of non-general obligation debt are not included in expenditure listings of this section.

## **Debt Service Program**

The annual Debt Service obligation of all outstanding G.O. bond issues, long-term lease payments, long-term loans, short-term lease payments, and projections of certain related expenditures constitute the total Debt Service budget for FY09. When a bond-funded facility supports an activity funded by one of the County's Enterprise funds, the debt service is appropriated in that Enterprise fund operation. The Enterprise fund obligation is then subtracted from the total debt service to derive the Debt Service appropriation.

Montgomery County G.O. bonds are budgeted in specific categories for specific purposes: General County (County government facilities that are not included in the following categories); Roads and Storm Drains; Public Housing; Parks (including land and development for M-NCPPC regional and Countywide use parks); Public Schools; Montgomery College; Fire Tax District; Mass Transit Fund; Recreation Fund; Noise Abatement Districts; Parking Districts; and Solid Waste Disposal Fund. A separate appropriation is made for the General Fund or a special fund (e.g., Mass Transit, Fire, Recreation, Noise Abatement Districts) as appropriate. These appropriations include debt service for G.O. bond issues outstanding, long-term lease obligations and short-term financing obligations. The General County category includes an appropriation for County Debt Service on facilities for Police, Corrections, Human Services, Libraries, General Government, and other miscellaneous purposes. In recent years, Solid Waste projects have been funded entirely with revenue bonds or Enterprise fund current revenues, but general obligation debt service remains from prior year issues.

Certain other expenditures and revenues are included in Debt Service budget calculations. The total Debt Service budget consists of

principal and interest on the bonds, long-term lease obligations and short-term financing obligations. Bond anticipation notes (BANs)/commercial paper are short-term capital financing instruments issued with the expectation that the principal amount will be refunded with long-term bonds. In the meantime, interest costs are incurred, usually at lower rates than with more permanent financing. Cost of issuance includes the legal, administrative, and production cost of rating, issuing, and selling bonds, BANs/commercial paper and short- and long-term lease obligations.

Funding sources which offset the General Fund requirement for Debt Service include the accrued interest on bonds between the date of issue and the date the County receives the proceeds, investment income on BANs/commercial paper, and any premium on bonds issued. The special funds will fund the Debt Service appropriation via a transfer from individual special funds to the Debt Service Fund. These special funds include Fire Tax District, Mass Transit, Recreation, Bradley Noise Abatement, Cabin John Noise Abatement, and the Economic Development Fund.

The Montgomery County Revenue Stabilization Fund Law, Article XII, Section 20-71, Interest, requires transfer of interest earned on the Fund when the Fund exceeds 50 percent of the maximum Fund size authorized by Section 20-67(a). Interest must be transferred to the Debt Service Fund as an offset to the approved issuance of general obligation debt (PAYGO). The interest income earned will be transferred from the Revenue Stabilization Fund to the Debt Service Fund and then transferred from the Debt Service Fund to the CIP Fund to offset G.O. bond funding. Beginning in FY98, the Revenue Stabilization Fund exceeded 50 percent of the maximum Fund size; therefore, interest is assumed to be transferred to the Debt Service Fund for FY09-14.

## **Capital Improvements Program**

### **Impact On Operating Budget**

#### **Debt Service Requirements**

Debt Service requirements are the single largest impact on the Operating Budget/Public Services Program by the Capital Improvements Program. The Charter-required CIP contains a plan or schedule of project expenditures for schools, transportation, and infrastructure modernization, with estimated project costs, sources of funding, and timing of work over a six-year period. For FY09-14, approximately 57 percent of the CIP (excluding WSSC) is funded with G.O. bonds. Each bond issue used to fund the CIP translates to a draw against the Operating Budget each year for 20 years. Debt requirements for past and future bond issues are calculated each fiscal year, and provision for the payment of Debt Service is included as part of the annual estimation of resources available for other Operating Budget requirements. Debt Service expenditures take up fiscal capacity that could be diverted to improved services as well as tax bill containment. As Debt Service grows over the years, increased pressures are placed on other PSP programs competing for scarce resources.

The County Council adopts Spending Affordability Guidelines for the capital budget based on criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time. Debt capacity evaluation also focuses on other factors which impact the County's ability and willingness to pay current and future bond holders. Debt obligations, which include G.O. debt service plus other long-term commitments, are expected to stay manageable, representing less than ten percent of General Fund revenues. Maintaining this guideline ensures that taxpayer resources are not overextended during fiscal downturns, nor are services squeezed out over time due to increased Debt Service burdens. The Debt Capacity chart is displayed at the end of this section. The chart displays the debt issues for the six years which are the basis of the G.O. bond-funded portion of the Recommended FY09-14 CIP.

Annual bond-funding requirements (on which future debt issue projections are based) are based on summations of projected bond-funded expenditures identified by project, amount, and year. The total programmed bond-funded expenditures for each year and for the CIP period are then adjusted to assist in estimating annual bond issue requirements. Adjustment factors include inflation, project implementation rate, commitment of County current revenues (PAYGO) as an offset against bond requirements, and a set-aside for future unprogrammed projects. The resulting bond requirements are then compared to planned bond issue levels over the six-year period. It is most critical that debt funding of the CIP be within projected bond issue requirements for the first and second years and for the six years, and the County Executive's Recommended FY09-14 Capital Improvements Program meets that requirement. The General Obligation Bond Adjustment chart reflecting the Executive's proposals for the Recommended FY09-14 CIP is included at the end of this section.

#### **FY08 Estimated Debt Service**

FY08 estimated general obligation Debt Service and lease expenditure requirements for tax-supported funds total \$238.2 million which is lower than the budget amount of \$239.5 million. The reduction is due primarily to lower commercial paper costs and savings from a GO bond refunding.

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## **FY09 Recommended Debt Service Budget**

The FY09 Debt Service budget is predicated on a base of existing Debt Service requirements from past bond issues (through May 2007) plus the following:

- A May 2008 issue of \$250 million at a true interest cost of 5.5 percent for 20 years with even principal payments.
- Interest expense based on an anticipated average BANs/commercial paper balance of \$250.0 million during FY09.
- Other short- and long-term financing obligations displayed in a chart at the end of the section.

A spring bond issue delays principal and two semiannual interest payments until FY09. Spring bond issues are expected to continue in FY09 through FY14. The favorable short-term interest on commercial paper is significantly offset by investment income earned by BANs/commercial paper funds prior to their required use for project expenditures.

The Debt Service assumptions discussed above result in a total FY09 Debt Service requirement for tax supported funds of \$248.0 million, which is a 3.5 percent increase from the FY08 budget of \$239.5 million. The General Fund appropriation requirement is \$226.0 million, or 2.8 percent more than the budgeted FY08 amount of \$219.8 million. The increase is due to new debt issuance and payments to finance fire and rescue equipment, the Technology Modernization project and the Silver Spring Music Venue.

## **Public Services Program**

The six-year Public Services Program for Debt Service is predicated on the bond issue requirements in the Recommended CIP, adjusted for inflation, and implementation of the capital program at a projected 87.5 percent rate for FY09-10 and 90 percent for FY11-14. The actual true interest cost of 5.5 percent is budgeted for the May 2008 issue. Projected interest rates for bond issues for FY09 through FY14 are based on an econometric model which forecasts little change in interest rates after FY08. Under these projections and assumptions, tax-supported Debt Service will increase from \$248 million in FY09 to \$357.4 million by FY14 with the General Fund revenue requirement growing from \$226.0 million in FY09 to \$323.8 million by FY14.

## **Rating Agency Reviews**

Montgomery County continues to maintain its status as a top-rated issuer of municipal securities. The County has the highest credit ratings possible for a local government, AAA, from Moody's Investors Service, Inc. (since 1973), from Standard and Poor's (since 1976), and from Fitch (since 1993, the first year a rating was sought from Fitch). These high ratings are critical to ensure the lowest possible cost of debt to citizens. High ratings translate into lower interest rates and considerable savings over the 20-year interest payments on the bonds. The rating agencies also place great emphasis on certain operating budget criteria, the quality of government administration, legal or constitutional restrictions, and the overall condition of the local economy. All of these factors are considered evidence of both the ability and willingness of local governments to support public debt.

## **Development Districts**

Three development districts have been created in accordance with Chapter 14 of the Montgomery County Code, the Montgomery County Development District Act enacted in 1994. The West Germantown District was created by Council Resolution 13-1135, the Kingsview Village Center Development District was created by Resolution 13-1377, and the Clarksburg Town Center District was created by Resolution 15-87. The creation of the development districts allows the County to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or purchase of infrastructure improvements.

The West Germantown Development District was created in an unincorporated area of Montgomery County, encompassing approximately 671 acres. Various transportation, local park, and sewer infrastructure improvements have or will be constructed by developers and acquired by the County at completion for a total cost of \$12.8 million. Special obligation bonds were issued in March 2002.

The Kingsview Village Center Development District was created in an unincorporated area of Montgomery County, encompassing approximately 29 acres. Various transportation improvements were constructed by developers and acquired by the County at completion for a total cost of \$2.7 million. Special obligation bonds were issued in December 1999.

The Clarksburg Town Center Development District was created by Council Resolution 15-87 on March 4, 2003, in an unincorporated area of Montgomery County, encompassing approximately 280 acres. Various transportation, water supply, and greenway trail improvements will be constructed by the developer and acquired by the County at completion for a total cost of \$10.76 million. In addition, the District will fund contributions totaling \$6.24 million toward the capital cost of two County government projects (a library and extension of Stringtown Road to I-270). Special obligation bonds will be issued in the future for these improvements.

In October 2001, the County Council approved Resolution 14-1009 initiating evaluation of two additional development districts proposed for Clarksburg: Clarksburg Village and Clarksburg Skylark. In January 2008, the County Executive transmitted to the Council the Fiscal Report for Clarksburg Village and Clarksburg Skylark recommending the creation of the development districts. To

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date, the Council has not taken action on the Fiscal Report. Upon completion, the three proposed Clarksburg developments will consist of 3,900 residential units, and approximately 110,000 square feet of retail space.

The County issues special obligation bonds to fund the acquisition of the completed infrastructure assets. The debt service on the special obligation debt is funded by an ad valorem tax and special benefit assessment levied on the properties located in the development district. The County Council, by separate resolution, sets the ad valorem tax and special benefit assessment at rates sufficient to pay the principal, interest, any redemption premium on the bonds, and administrative expenses.

Revenues resulting from the ad valorem tax and special benefit assessed, and expenditures for the debt service on the special obligation bonds and administrative expenses, are accounted for in an agency fund, because the County has no obligation whatsoever for the indebtedness. The County acts only as a financing conduit and agent for the property owners and bondholders. In accordance with Section 20A-1 of the Montgomery County Code, the bonds or other obligations issued may not constitute a general obligation debt of the County or a pledge of the County's full faith and credit or taxing power.

## **PROGRAM CONTACTS**

Contact Glenn Wyman of the Department of Finance at 240.777.8929 or Jacqueline Carter of the Office of Management and Budget at 240.777.2771 for more information regarding this department's operating budget.

## BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Bud/Rec
<b>DEBT SERVICE</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	112,134	0	0	0	—
Debt Service G.O. Bonds	0	226,476,320	225,241,100	230,597,980	1.8%
Debt Service Other	219,323,905	13,003,970	12,987,590	17,381,120	33.7%
Capital Outlay	0	0	0	0	—
<b>Debt Service Expenditures</b>	<b>219,436,039</b>	<b>239,480,290</b>	<b>238,228,690</b>	<b>247,979,100</b>	<b>3.5%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>REVENUES</b>					
Street Assessments	169	0	0	0	—
BAN/Comm Paper Investment Income: Pooled	2,209,468	4,500,000	3,500,000	2,700,000	-40.0%
Accrued Interest: Installment Notes, I&P	80,492	0	0	0	—
Accrued Interest: Bonds Non-Pooled	300,972	575,000	575,000	575,000	—
<b>Debt Service Revenues</b>	<b>2,591,101</b>	<b>5,075,000</b>	<b>4,075,000</b>	<b>3,275,000</b>	<b>-35.5%</b>
<b>DEBT SERVICE - NON-TAX SUPPORTED</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	0	0	0	0	—
Employee Benefits	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Personnel Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
Operating Expenses	0	0	0	0	—
Debt Service Other	0	770,420	770,420	1,850,000	140.1%
Capital Outlay	0	0	0	0	—
<b>Debt Service - Non-Tax Supported Expenditures</b>	<b>0</b>	<b>770,420</b>	<b>770,420</b>	<b>1,850,000</b>	<b>140.1%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	0.0	0.0	0.0	0.0	—
<b>DEPARTMENT TOTALS</b>					
<b>Total Expenditures</b>	<b>219,436,039</b>	<b>240,250,710</b>	<b>238,999,110</b>	<b>249,829,100</b>	<b>4.0%</b>
<b>Total Full-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Part-Time Positions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>Total Workyears</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>—</b>
<b>Total Revenues</b>	<b>2,591,101</b>	<b>5,075,000</b>	<b>4,075,000</b>	<b>3,275,000</b>	<b>-35.5%</b>



# DEBT SERVICE - GENERAL OBLIGATION BONDS, LONG & SHORT TERM LEASES AND OTHER DEBT

	Actual FY06	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Rec/Bud	Rec % GO Bonds
<b>GO BOND DEBT SERVICE EXPENDITURES</b>							
General County	24,460,186	26,233,739	27,498,810	27,240,420	28,093,870		12.3%
Roads & Storm Drains	48,415,800	51,846,170	53,900,920	53,963,090	56,963,150		24.9%
Public Housing	281,544	265,999	250,420	250,420	175,010		0.1%
Parks	6,526,972	6,772,021	7,255,290	7,270,250	7,798,110		3.4%
Public Schools	88,421,768	96,350,665	109,707,010	110,116,950	115,136,940		50.3%
Montgomery College	6,012,792	6,815,147	7,891,260	7,755,130	9,157,530		4.0%
Bond Anticipation Notes/Commercial Paper	4,675,356	6,784,398	8,100,000	6,700,000	3,800,000		
Bond Refunding	-	-	-	(282,000)	(3,030,000)		
Cost of Issuance: General Fund	915,831	801,172	1,005,210	1,005,210	1,032,350		
<b>Total General Fund</b>	<b>179,710,249</b>	<b>195,869,311</b>	<b>215,608,920</b>	<b>214,019,470</b>	<b>219,126,960</b>	<b>1.6%</b>	<b>95.0%</b>
Fire Tax District Fund	2,729,950	3,396,710	3,624,800	3,583,440	4,176,900	15.2%	1.8%
Mass Transit Fund	3,011,246	2,482,762	2,328,860	2,327,650	2,259,520	-3.0%	1.0%
Recreation Fund	4,611,661	4,989,515	4,874,680	5,271,480	4,995,540	2.5%	2.2%
Bradley Noise Abatement Fund	32,641	31,383	30,120	30,120	30,120	0.0%	0.0%
Cabin John Noise Abatement Fund	9,683	9,312	8,940	8,940	8,940	0.0%	0.0%
<b>Total Tax Supported Other Funds</b>	<b>10,395,181</b>	<b>10,909,682</b>	<b>10,867,400</b>	<b>11,221,630</b>	<b>11,471,020</b>	<b>5.6%</b>	<b>5.0%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>190,105,430</b>	<b>206,778,993</b>	<b>226,476,320</b>	<b>225,241,100</b>	<b>230,597,980</b>	<b>1.8%</b>	<b>100.0%</b>
<b>Non-Tax Supported</b>							
Solid Waste Disposal Fund	55,156	2,711	2,540	2,540	-	-100.0%	0.0%
<b>Total Non-Tax Supported</b>	<b>55,156</b>	<b>2,711</b>	<b>2,540</b>	<b>2,540</b>	<b>0</b>	<b>-100.0%</b>	<b>0.0%</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>190,160,586</b>	<b>206,781,704</b>	<b>226,478,860</b>	<b>225,243,640</b>	<b>230,597,980</b>	<b>1.8%</b>	<b>100.0%</b>
<b>LONG-TERM LEASE EXPENDITURES</b>							
Revenue Authority - Conference Center	2,212,915	2,211,269	2,216,070	2,216,070	2,210,660		
Revenue Authority - HHS Picard Drive	620,993	633,198	633,490	633,490	632,700		
Silver Spring Garages	5,858,988	5,862,366	5,591,010	5,591,010	5,553,520		
Revenue Authority - Recreation Pools	3,100,172	3,067,994	3,041,800	3,041,800	2,662,970		
Fire and Rescue Equipment	-	-	650,000	633,620	4,553,500		
Liquor Control Warehouse - (Non-tax supported)	-	-	770,420	770,420	-		
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>11,793,068</b>	<b>11,774,827</b>	<b>12,902,790</b>	<b>12,886,410</b>	<b>15,613,350</b>		
<b>SHORT-TERM LEASE EXPENDITURES</b>							
Technology Modernization Project	-	-	-	-	560,500		
Short Term Financing - Public Safety Radio	10,220,100	-	-	-	-		
Short Term Financing - Kay Property	858,887	882,219	871,600	871,600	871,600		
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>11,078,987</b>	<b>882,219</b>	<b>871,600</b>	<b>871,600</b>	<b>1,432,100</b>		
<b>OTHER LONG-TERM DEBT</b>							
Silver Spring Music Venue - Tax supported	-	-	-	-	335,670		
MICRF Loan - Tax supported	55,180	-	-	-	-		
MHI-HUD Loan - Non-Tax supported	80,304	79,412	78,260	78,260	76,870		
MHI - Property Acquisition Fund - Non-tax supported	-	-	-	-	1,850,000		
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>135,484</b>	<b>79,412</b>	<b>78,260</b>	<b>78,260</b>	<b>2,262,540</b>	<b>2791.1%</b>	
<b>DEBT SERVICE EXPENDITURES</b>							
<b>Tax Supported</b>	<b>213,032,665</b>	<b>219,436,039</b>	<b>239,480,290</b>	<b>238,228,690</b>	<b>247,979,100</b>		
<b>Non-Tax supported - Long-Term Leases</b>	<b>-</b>	<b>-</b>	<b>770,420</b>	<b>770,420</b>	<b>0</b>		
<b>Non-Tax Supported - Other &amp; GO Bond Debt</b>	<b>135,460</b>	<b>82,123</b>	<b>80,800</b>	<b>80,800</b>	<b>1,926,870</b>		
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>213,168,125</b>	<b>219,518,162</b>	<b>240,331,510</b>	<b>239,079,910</b>	<b>249,905,970</b>	<b>4.0%</b>	
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>							
General Funds	175,105,669	193,168,912	210,533,920	209,944,470	215,851,960		
Accrued Interest: GO Bonds-Non Pooled	290,278	300,972	575,000	575,000	575,000		
Accrued Interest: GO Refunding Bonds	451,331	-	-	-	-		
Accrued Interest: Installmt Notes, I&P, Street Assessmts	42,479	80,492	-	-	-		
BAN/Commercial Paper Investment Income	2,941,977	2,209,468	4,500,000	3,500,000	2,700,000		
Special Street Assessments	40,798	169	-	-	-		
<b>Total General Fund Sources</b>	<b>178,872,532</b>	<b>195,760,013</b>	<b>215,608,920</b>	<b>214,019,470</b>	<b>219,126,960</b>		
Fire Tax District Funds	2,758,039	3,514,976	3,624,800	3,583,440	4,176,900		
Mass Transit Fund	3,009,912	2,480,147	2,328,860	2,327,650	2,259,520		
Recreation Fund	4,607,795	4,983,162	4,874,680	5,271,480	4,995,540		
Bradley Noise Abatement Fund	32,641	31,383	30,120	30,120	30,120		
Cabin John Noise Abatement Fund	9,683	9,312	8,940	8,940	8,940		
Solid Waste Disposal Fund	55,156	2,711	2,540	2,540	-		
Capital Projects Fund	814,828	0	-	-	-		
<b>Total Other Funding Sources</b>	<b>11,288,054</b>	<b>11,021,691</b>	<b>10,869,940</b>	<b>11,224,170</b>	<b>11,471,020</b>		
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>190,160,586</b>	<b>206,781,704</b>	<b>226,478,860</b>	<b>225,243,640</b>	<b>230,597,980</b>		
<b>NON GO BOND FUNDING SOURCES</b>							
General Funds	19,771,883	9,589,052	9,312,170	9,312,170	10,164,650		
MHI Fund - HUD Loan	80,304	79,412	78,260	78,260	76,870		
MHI Fund - Property Acquisition Fund	-	-	-	-	1,850,000		
Liquor Control Fund	-	-	770,420	770,420	-		
Economic Development Fund	55,180	-	-	-	-		
Recreation Fund	3,100,172	3,067,994	3,041,800	3,041,800	2,662,970		
Fire Tax District Fund	-	-	650,000	633,620	4,553,500		
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>23,007,539</b>	<b>12,736,458</b>	<b>13,852,650</b>	<b>13,836,270</b>	<b>19,307,990</b>		
<b>TOTAL FUNDING SOURCES</b>	<b>213,168,125</b>	<b>219,518,162</b>	<b>240,331,510</b>	<b>239,079,910</b>	<b>249,905,970</b>		
<b>TRANSFERS</b>							
FROM: RSF Investment Income	4,719,842	6,175,154	6,161,852	4,785,900	2,991,190		
TO: CIP - PAYGO	4,719,842	6,175,154	6,161,852	4,785,900	2,991,190		
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>							
Actual and Estimated Bond Sales	200,000,000	200,000,000	-	250,000,000	-		
Council SAG Approved Issues	-	-	275,000,000	275,000,000	300,000,000		

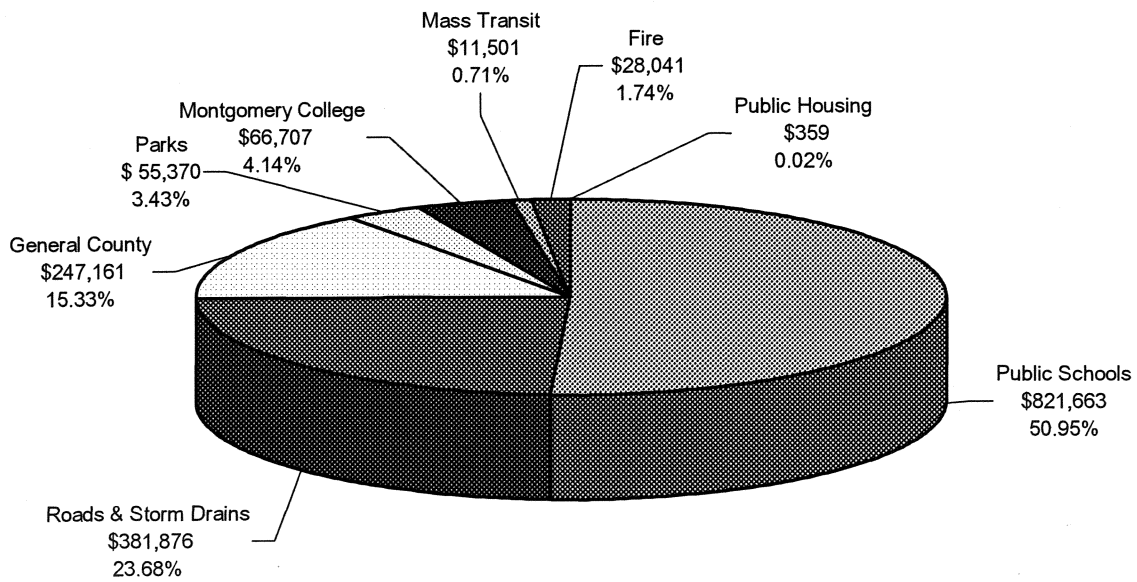
# DEBT SERVICE - GENERAL OBLIGATION BONDS AND LONG & SHORT TERM LEASES AND OTHER DEBT

	Recommended FY09	Projected FY10	Projected FY11	Projected FY12	Projected FY13	Projected FY14
<b>GO BOND DEBT SERVICE EXPENDITURES</b>						
General County	28,093,870	32,482,250	36,732,120	40,332,050	40,154,520	41,483,490
Roads & Storm Drains	56,963,150	58,745,700	61,272,490	66,385,800	73,390,610	76,894,630
Public Housing	175,010	108,320	34,920	0	-	-
Parks	7,798,110	8,969,420	9,577,640	10,644,440	11,820,520	12,734,310
Public Schools	115,136,940	123,674,230	129,060,780	135,351,110	146,560,930	155,682,490
Montgomery College	9,157,530	12,224,810	15,210,080	15,593,090	16,509,690	19,072,390
Bond Anticipation Notes/Commercial Paper	3,800,000	6,000,000	7,200,000	8,400,000	8,900,000	9,500,000
Bond Refunding	(3,030,000)	-	-	-	-	-
Cost of Issuance	1,032,350	1,060,220	1,088,850	1,118,250	1,148,440	1,148,440
<b>Total General Fund</b>	<b>219,126,960</b>	<b>243,264,950</b>	<b>260,176,880</b>	<b>277,824,740</b>	<b>298,484,710</b>	<b>316,515,750</b>
Fire Tax District Fund	4,176,900	6,325,040	8,167,710	8,413,680	8,448,280	8,398,860
Mass Transit Fund	2,259,520	2,504,320	2,585,460	2,349,660	2,291,040	2,225,040
Recreation Fund	4,995,540	5,697,620	6,116,670	7,410,260	8,688,450	8,521,600
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
<b>Total Tax Supported Other Funds</b>	<b>11,471,020</b>	<b>14,564,350</b>	<b>16,905,510</b>	<b>18,207,560</b>	<b>19,460,030</b>	<b>19,176,050</b>
<b>TOTAL TAX SUPPORTED</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>TOTAL GO BOND DEBT SERVICE EXPENDITURES</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>LONG-TERM LEASE EXPENDITURES</b>						
Revenue Authority - Conference Center	2,210,660	1,903,290	1,901,650	1,903,900	995,440	993,190
Revenue Authority - HHS Piccard Drive	632,700	635,700	632,500	633,040	636,870	638,390
Silver Spring Garages	5,553,520	5,590,330	5,544,320	5,554,170	5,574,900	5,561,400
Revenue Authority - Recreation Pools	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020	1,834,050
Fire and Rescue Equipment	4,553,500	4,542,000	4,509,230	4,459,480	4,418,350	3,780,600
<b>TOTAL LONG-TERM LEASE EXPENDITURES</b>	<b>15,613,350</b>	<b>15,336,140</b>	<b>14,913,520</b>	<b>14,876,270</b>	<b>13,948,580</b>	<b>12,807,630</b>
<b>SHORT-TERM LEASE EXPENDITURES</b>						
Technology Modernization Project	560,500	2,532,400	3,801,750	4,748,760	5,212,850	5,212,850
Ride On Buses	-	3,107,200	3,327,850	3,327,850	3,327,850	3,327,850
Short Term Financing - Kay Property	871,600	-	-	-	-	-
<b>TOTAL SHORT-TERM LEASE EXPENDITURES</b>	<b>1,432,100</b>	<b>5,639,600</b>	<b>7,129,600</b>	<b>8,076,610</b>	<b>8,540,700</b>	<b>8,540,700</b>
<b>OTHER LONG-TERM DEBT</b>						
Silver Spring Music Venue - Tax supported	335,670	335,670	335,670	335,670	335,670	335,670
MHI-HUD Loan - Non-Tax supported	76,870	75,300	73,580	71,730	69,770	69,770
Property Acquisition Fund - Non-tax supported	1,850,000	4,320,000	4,940,000	4,940,000	4,940,000	4,940,000
<b>TOTAL OTHER LONG-TERM DEBT</b>	<b>2,262,540</b>	<b>4,730,970</b>	<b>5,349,250</b>	<b>5,347,400</b>	<b>5,345,440</b>	<b>5,345,440</b>
<b>DEBT SERVICE EXPENDITURES</b>						
Tax Supported	247,979,100	279,140,710	299,461,180	319,320,850	340,769,690	357,375,800
Non-Tax Supported - Other Long-term Debt	1,926,870	4,395,300	5,013,580	5,011,730	5,009,770	5,009,770
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>249,905,970</b>	<b>283,536,010</b>	<b>304,474,760</b>	<b>324,332,580</b>	<b>345,779,460</b>	<b>362,385,570</b>
<b>GO BOND DEBT SERVICE FUNDING SOURCES</b>						
General Funds	215,851,960	239,289,950	255,701,880	272,849,740	293,309,710	311,040,750
Accrued Interest on Bonds - Non-Pooled	575,000	575,000	575,000	575,000	575,000	575,000
BAN/Commercial Paper Investment Income	2,700,000	3,400,000	3,900,000	4,400,000	4,600,000	4,900,000
<b>Total General Fund Sources</b>	<b>219,126,960</b>	<b>243,264,950</b>	<b>260,176,880</b>	<b>277,824,740</b>	<b>298,484,710</b>	<b>316,515,750</b>
Fire Tax District Fund	4,176,900	6,325,040	8,167,710	8,413,680	8,448,280	8,398,860
Mass Transit Fund	2,259,520	2,504,320	2,585,460	2,349,660	2,291,040	2,225,040
Recreation Fund	4,995,540	5,697,620	6,116,670	7,410,260	8,688,450	8,521,600
Bradley Noise Abatement Fund	30,120	28,810	27,500	26,180	24,870	23,550
Cabin John Noise Abatement Fund	8,940	8,560	8,170	7,780	7,390	7,000
Solid Waste Disposal Fund	0	0	0	0	-	-
<b>Total Other Funding Sources</b>	<b>11,471,020</b>	<b>14,564,350</b>	<b>16,905,510</b>	<b>18,207,560</b>	<b>19,460,030</b>	<b>19,176,050</b>
<b>TOTAL GO BOND FUNDING SOURCES</b>	<b>230,597,980</b>	<b>257,829,300</b>	<b>277,082,390</b>	<b>296,032,300</b>	<b>317,944,740</b>	<b>335,691,800</b>
<b>NON GO BOND FUNDING SOURCES</b>						
General Funds	10,164,650	10,997,390	12,215,890	13,175,540	12,755,730	12,741,500
MHI Fund - HUD Loan	76,870	75,300	73,580	71,730	69,770	69,770
MHI Fund - Property Acquisition Fund	1,850,000	4,320,000	4,940,000	4,940,000	4,940,000	4,940,000
Mass Transit Fund	-	3,107,200	3,327,850	3,327,850	3,327,850	3,327,850
Recreation Fund	2,662,970	2,664,820	2,325,820	2,325,680	2,323,020	1,834,050
Fire Tax District Fund	4,553,500	4,542,000	4,509,230	4,459,480	4,418,350	3,780,600
<b>TOTAL NON GO BOND FUNDING SOURCES</b>	<b>19,307,990</b>	<b>25,706,710</b>	<b>27,392,370</b>	<b>28,300,280</b>	<b>27,834,720</b>	<b>26,693,770</b>
<b>TOTAL FUNDING SOURCES</b>	<b>249,905,970</b>	<b>283,536,010</b>	<b>304,474,760</b>	<b>324,332,580</b>	<b>345,779,460</b>	<b>362,385,570</b>
<b>TRANSFERS</b>						
FROM: RSF Investment Income	2,991,190	4,187,670	4,785,900	5,384,140	5,680,530	5,878,220
TO: CIP - PAYGO	2,991,190	4,187,670	4,785,900	5,384,140	5,680,530	5,878,220
<b>TOTAL GENERAL OBLIGATION BOND SALES</b>						
Council SAG Approved Issues	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
<b>ESTIMATED INTEREST RATE</b>	<b>6.30%</b>	<b>6.20%</b>	<b>6.15%</b>	<b>6.10%</b>	<b>6.05%</b>	<b>6.00%</b>

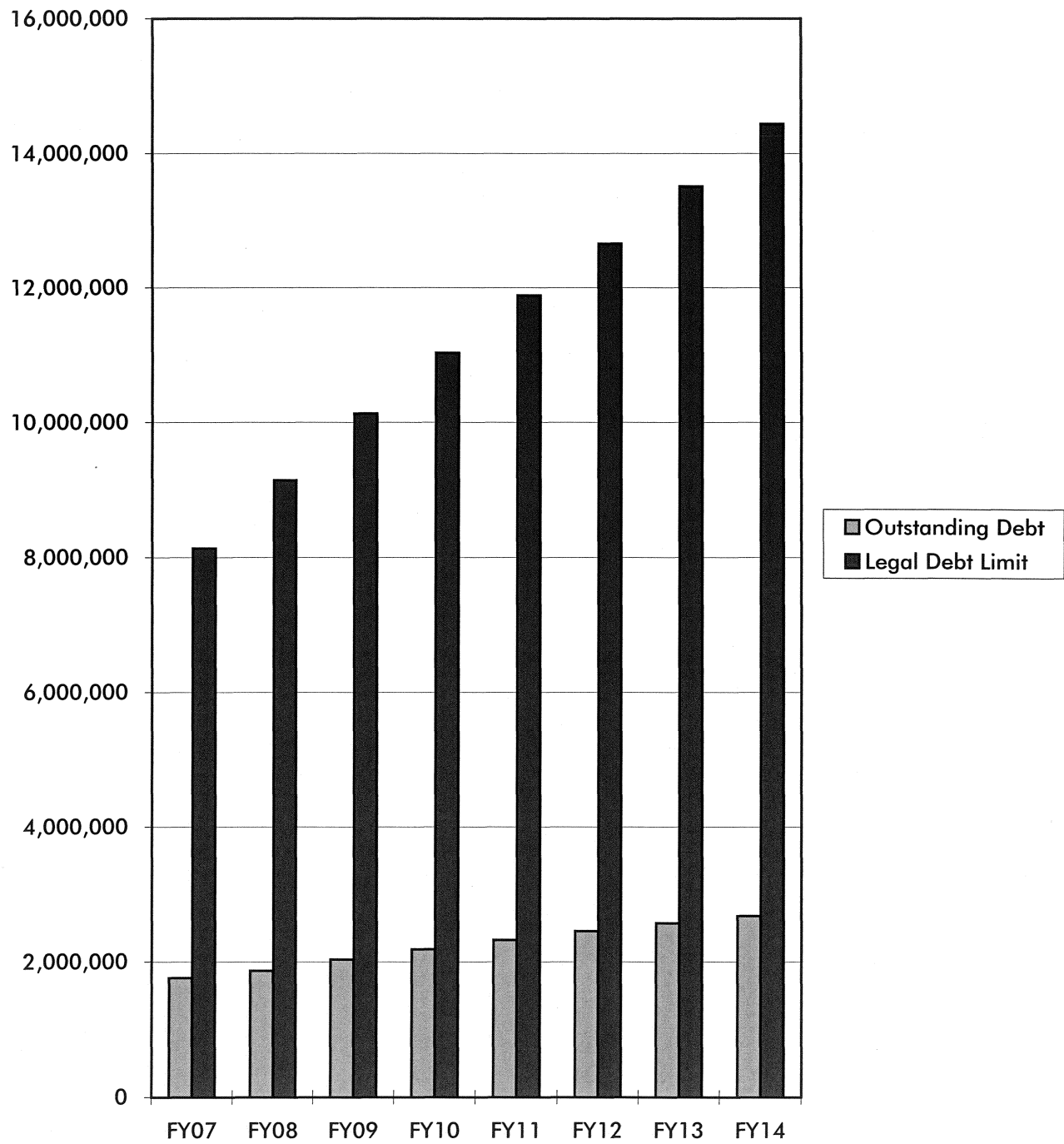


**General Obligation Bonds Outstanding by Bond Category  
(\$000s)**

**Total \$1,612,678 as of June 30, 2007**



**Outstanding Debt and Legal Debt Limit  
(\$000s)**





# GENERAL OBLIGATION BOND ADJUSTMENT CHART

## FY09-14 CAPITAL IMPROVEMENTS PROGRAM

### COUNTY EXECUTIVE RECOMMENDED

AS OF JANUARY 15, 2008

(\$ millions)	6 YEARS	FY09	FY10	FY11	FY12	FY13	FY14
BONDS PLANNED FOR ISSUE	1,800.000	300.000	300.000	300.000	300.000	300.000	300.000
Assumes Council SAG							
Plus PAYGO Funded	180.000	30.000	30.000	30.000	30.000	30.000	30.000
Adjust for Implementation *	209.986	42.857	42.857	32.387	31.482	30.616	29.788
Adjust for Future Inflation *	(81.552)	-	-	(8.519)	(16.666)	(24.457)	(31.909)
SUBTOTAL FUNDS AVAILABLE FOR DEBT ELIGIBLE PROJECTS (after adjustments)	2,108.434	372.857	372.857	353.867	344.816	336.159	327.878
Less Set Aside: Future Projects	279.280	14.430	15.793	26.758	37.497	100.227	84.575
	13.25%						
<b>TOTAL FUNDS AVAILABLE FOR PROGRAMMING</b>	<b>1,829.154</b>	<b>358.427</b>	<b>357.064</b>	<b>327.109</b>	<b>307.319</b>	<b>235.932</b>	<b>243.303</b>
MCPS	(857.101)	(156.960)	(143.333)	(136.338)	(150.527)	(136.936)	(133.007)
MONTGOMERY COLLEGE	(151.007)	(33.254)	(34.937)	(8.675)	(13.129)	(24.621)	(36.391)
M-NCPPC PARKS	(75.577)	(14.203)	(11.179)	(16.094)	(15.740)	(10.125)	(8.236)
TRANSPORTATION	(415.909)	(59.459)	(74.220)	(91.154)	(92.487)	(46.748)	(51.841)
MCG - OTHER	(329.560)	(94.551)	(93.395)	(74.848)	(35.436)	(17.502)	(13.828)
<b>SUBTOTAL PROGRAMMED EXPENDITURES</b>	<b>(1,829.154)</b>	<b>(358.427)</b>	<b>(357.064)</b>	<b>(327.109)</b>	<b>(307.319)</b>	<b>(235.932)</b>	<b>(243.303)</b>
<b>AVAILABLE OR (GAP)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
NOTES:							
* Adjustments Include:							
Inflation =		2.80%	2.70%	2.65%	2.60%	2.55%	2.50%
Implementation Rate =		87.50%	87.50%	90.00%	90.00%	90.00%	90.00%